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THE AUTHOR:

I have worked in the construction and property professions for over 25 years and developed a wealth of knowledge and expertise. After working as a Chartered Quantity Surveyor and Project Manager in the construction industry I joined District Valuer Services in 1999 as a Senior Consultant Surveyor. Whilst at DVS I have worked as both a Project and Programme Manager for national valuation commissions including such prestigious contracts such as HM Prison Service and Her Majesty's Courts Service.

Currently I am Head of Strategic Asset Management responsible for the delivery of a range of strategic asset management services across the public sector and am working with many public sector organisations developing and implementing property strategies.

PROPERTY. JUST DO IT!

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CHANGE IS A CONSTANT

The overall theme of these papers is change and, in particular, about property being a driver for change. At the moment I think there is a feeling of inevitability that some fundamental structural change is just around the corner. The briefing note of the Comprehensive Spending Review suggested that the CSR was likely to define the beginning of a series of cut backs that will affect us all in the public sector and those of us the private sector who advise the public sector. Despite the continuing uncertainty one thing is certain - there is likely to be some big changes around the corner. Property is likely to play a big role in these changes, so I contend that we need strategies and plans to cope with the changes that we are about to face.

Recent Changes

First of all I want to consider some of the things that have changed since my Liverpool/Asset paper of May 2010. The biggest change of course is the new Coalition Government. The new government says it is all about change, with a new focus on Decentralisation, and to prove it there is a Decentralisation Minister, Greg Clark. He has said, (we have) "Stopped handing out the money and started handing the power." Probably the biggest announcement made to date from the new government is the abolition of the PCTs and the Strategic Health Authorities. The White Paper is about liberating the NHS and how Government intends to devolve power and responsibility. That is a big change and the intention is to devolve responsibility down to a local level and to local authorities. Their role will be to promote the joining up of services. They will have new functions about promoting integration, promoting partnership working and collaborative working. This raises some big questions around the large PCT estate, both owned and leasehold, that cannot be answered as yet.

My Liverpool/Asset paper made many references to collaboration, working across boundaries and viewing the public sector estate as a joint strategic resource. What has happened since May 2010 only reinforces those messages.

The Government has announced other changes. It wants individuals to take the initiative and, as Lord Bishard said, "Don't expect measures, guidelines or money – just do it!" Again the Government has announced other changes such as

- The abolition of the Audit Commission
- The abolition of the Comprehensive Area Assessment (CAA) and that
- FRSs no longer comply with RICS Strategic Asset Management Guidelines.

Clearly Government wants to be seen as a government that removes bureaucracy, and stops interfering, and is prepared to let those who know best to get on and do it.

What Has Not Changed

Although change is a constant and very much part of our lives there are things that have not changed.

Property is still a significant cost liability and an asset. It can represent opportunity; it is an enabler and a major strategic resource. The Efficiency Agenda, which we have been following for the past few years, is still with us. This means that the use and management of property will be increasingly scrutinised. It has been on the radar of successive parliaments, it is on the radar of the Coalition Government and this will continue. Property will be very prominent in the future thoughts of politicians and civil servants.

John McCready now heads up the Government Property Unit (GPU). The Unit is tasked with finding better ways of managing government property and is responsible for strategic property leadership across the public sector. It is likely that where the GPU goes others will follow. The priority for the GPU is not to sell assets but to help the government tackle the deficit. It has already stated that making more efficient use of Government space is the best way to do this. For obvious reason better utilisation means using less space, cheaper operating costs, and identifies surpluses to dispose of when the time is right, not conduct a fire sale now. The GPU is also charged with making savings under the Operational Efficiency Programme (OEP).

Publications and Guidance

The OEP is probably one of the most relevant documents for the public sector. It follows the Room for Improvement Report from the Audit Commission, Building on Strong Foundations and various guidance and reports on Local Authority Asset Management.

Five senior reviewers put the OEP together in order to find efficiency savings through cross cutting measures. The OEP final report was published in April 2009. The headline statement from this report is that the OEP is looking to achieve £15 billion of annual savings from

- Back office operations and IT
- Collaborative procurement
- Asset management and sales
- Property and
- Local incentives/empowerment.

The report identifies that it costs £25 billion per year to run public sector property and that this is 5% of total public sector expenditure. Clearly this firmly establishes property as a priority and in my opinion is why the GPU is focusing on reducing space and making more efficient use of space. In my opinion the message here is if you have yet to think about property strategically, and how all these changes are going to affect you, you should really start now. Strategic asset management will not be a tick box exercise. It may have been seen as that in the past.

OEP and Property

You will no longer be able to keep your head in the sand as the specific requirements and targets of the OEP regarding property are

- £1.5 billion running cost efficiencies by 2013/2014; rising to £5 billion over a 10 year period
- A 30% reduction in Central Government office space; a reduction from 14.5 to 10 sm/person
- A 20% reduction in the remaining public estate; ie local authority estate
- Asset sales proceeds of £20 billion over 10 years; the local authority share of this is 70%, ie £14 billion excluding council house sales.

Total Place: is a whole area approach to public services, is a Treasury/DCLG report published in March 2010. It is part of Lord Bishard's work and was a key recommendation of the OEP. It is all about mapping public money through a place to make links between services, identifying where money can be spent more efficiently and identifying opportunities for collaboration across agencies. Essentially redesigning the use of resources. The theory of total place is sound, particularly if you are looking at an area where a number of authorities are moving into unitary status. Here there may be duplication of services and role to be ironed out and if you then extend the concept across the wider public sector to include health, police, Government and how they fit into regions there would appear to be some logic behind it.

Strategic Property Asset Management

I have discussed some of the recent changes, but what has not changed, and it is important to emphasise this point is that there is still a requirement to manage property efficiently and effectively. The key OEP message is that to drive efficiency through more effective use of property it is necessary to understand not only what the property costs, but how the property performs in delivering the services. Once you fully understand this will you be able to develop a fully informed and integrated property strategy.

I would suggest that you do this through a Structured Strategic Process, which is about having a strategy, a plan, to work to and follow. But what does a structured approach look like? How do you get started? Where would you turn for guidance? Government has produced a lot of guidance on property strategy and property asset management planning and the RICS, in 2008, has also produced the 6 Public Sector Asset Management Guidelines, "A guide to best practice."

But before moving on I want to clarify what we mean by "strategic" in terms of strategic property asset management. There is a difference between strategic and operational. If we are repairing a roof it is very much operational. If we are replacing heating and electrical systems it is very likely to be operational, day-to-day, routine asset management. Potentially, it could be strategic if it is part of a much bigger plan. If we have got a major property refurbishment, especially in current circumstances, it had better be strategic,

as you cannot just make a reactive decision to start spending a lot of money on property. If you are constructing a new building, a new asset, then that certainly must be strategic, as you should have gone through a process of business case justification to get here. In other words

Strategic property asset management is the activity which aligns business and property strategies ensuring optimisation of the property assets in a way which best supports the organisation's key business goals and objectives.

DVS has developed in partnership with the RICS Internet based learning modules that follow the RICS Guidelines. These are still free to the public sector.



This diagram appears in some work that we have done with Keith Jones and his organisation Performer Carter Consulting and I commend its basic simplicity, although there are lots of boxes, writing, and lines and it looks very complicated. Allow me to simplify. The less you integrate decisions on property with corporate and business planning, then the less likely you are to have successful outcomes. If you integrate property decisions into the organisations strategic planning process at an early stage you are much more likely to have a successful outcome regarding property. So remembering Lord Bishard's words, "Just do it," which is rather easy for him to say, what might be more apt is, "How do you do it?"

The aim of a property strategy is to support the strategic, corporate and service directives of the organisation by attempting to identify the requirements now and into the future to ensure

- The right space
- At the right time
- In the right place and
- At the right cost.

What we are seeking to do is to make sure that the asset base is aligned with the current and future corporate objectives by identifying

- What should be retained and exploited to full potential; core assets
- What should have further work done undertaken to explore options; intermediate assets

- What should be released to generate resources for reinvestment in the business; surplus assets

But before you develop any strategy for property, it is essential to understand the business involved. This is not necessarily all that straightforward. Consider, for example, the primary objectives of three well known but different organisations. Most would agree that for an ambulance service, one of the primary objectives is to take patients to the nearest hospital. This is not necessarily so. One of the primary objectives is to respond quickly, assess and deliver treatment at the scene, if that is appropriate, or to take the patient to the most appropriate place of care or treatment. Again most people would think that one of the primary objectives of a Fire and Rescue Service is to extinguish fires, but this is not so. It is about preventing fires as this is cheaper than putting them out. Prevention is approached through education and communication and community engagement, which immediately raises some interesting questions about fire stations. Finally most people would think that holding inmates securely is one of the primary objectives of the prison service and whilst this is true, it is not as important as reforming behaviour and rehabilitating offenders to reduce re-offending. That also raises some interesting questions on custodial property. We will never become an expert on ambulance services, fire services or whatever, but it is really about sitting with a client and listening and trying to understand the business and trying to tap into the client's unique knowledge of the business.

Developing a Property Strategy

We have a 3-stage approach.

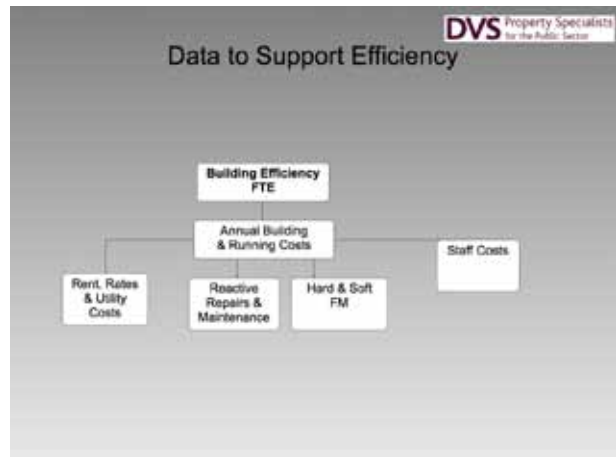
Stage 1 has two desired outcomes. The first is to develop an estate aligned to the business and corporate policies and objectives of the organisation. Our stage one processes are

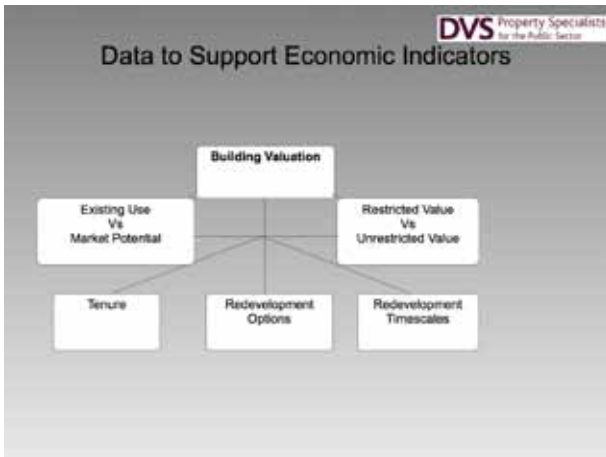


I believe that collecting relevant data and scoring the current estate is a very important point, and so does the OEP and the Audit Commission. The OEP says, "If it can't be measured, it can't be managed." The key issue is to take an organisation from holding basic information and turn it into a high quality data rich organisation.



There are different types of property data, data to support efficiency, to support effectiveness and to support economic indicators.

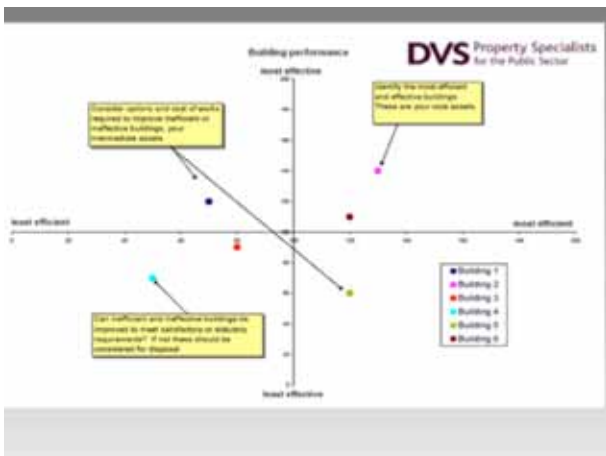




The above describes what we call The DVS Strategic Property Appraisal (SPA). It is a detailed assessment of cost efficiency, how effective the building is at delivering services, what opportunities are there for future improvement or may the building soon become unfit for the business.

Presenting the Data

To gain or retain management support the simplest presentations are to be preferred.



Having plotted the buildings on this chart using the data collected, the top right hand quadrant represents the most efficient and effective properties, potentially the core assets. Conversely the bottom left hand square shows the least efficient least effective property, potentially surplus assets. The other 2 quadrants show intermediate assets so you need to start thinking about option appraisal based on the inefficient and ineffective factors to see what can be done to possibly move them towards the top right hand quadrant. On the other hand if say an ambulance station cannot respond to calls in the specified time as it is in the wrong location given demand activity then it is in the wrong place so it will not matter what you spend on it you will not improve its effectiveness when measured against that criteria.

A chart is another way of presenting detailed outcomes.

ambulance Station SPA

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Efficiency Assessment	Element	Performance	Benchmark	Score	Weight	Weighted Score	Factor Performance	Factor Weight	Weighted Score
Contribution to Service Performance									
A1	Operational Managers Assessment	5	10	50	10%	5			
A2	Call & Calls within 8 minute response of station	7.647	4.355	189	10%	87	100%	10%	8.7
Workplace Productivity									
B1	Functional Suitability	6	107	6	72	67	40%	27	
B2	Building Condition	8	21	38	10%	23	100%	10%	12
Building Suitability									
C1	Building Condition	€100.00	€45.88	54	10%	27			
C2	Building Flexibility	10	100	79	10%	39	100%	10%	49
Environmental and Sustainability									
D1	Electricity use	0	35	0	10%	0%			
D2	NO of Water Average population	0	35	0	10%	0%			
D3	Management Practices	0	35	0	10%	0%			
D4	Level of CO2 Emission Score	0	35	0	10%	0%			
Efficiency Assessment Summary									
Efficiency Assessment									
Running Costs									
E1	Rates	14	14	100	0%	0			
E2	Utilities	10	17	54	0%	0			
E3	Capital and Depreciation Charges	10	43	23	0%	0			
E4	Reactive Repairs and Maintenance Costs	1	1	100	0%	0			0
Staff Time Equivalents									
F1	Full Time Equivalent (FTE) staff allocated to site	10	10	100	0%	0			0
Overall Efficiency Assessment									
Economic Assessment									
G1	Tenure								
G2	Market Value/Book Asset Value	€290,000	€270,000						
Overall Efficiency Assessment									

This can be simplified for senior managers and non-property people through adopting a traffic light league table format.

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by Benchmark Performance by 10% or within 10% of the benchmark

Building	Business			Finance			Economic			Total Ranking
	Contribution to Service Performance	Workplace Productivity	Building Suitability	Running Costs	Reactive Repair Costs	FTE's	Costing the Value	Market Value	Impairment %/€	
Building A	100%	100%	100%	100%	100%	100%	€ 520,000	€ 700,000	100%	300 1
Building B	100%	100%	100%	100%	100%	100%	€ 800,000	€ 700,000	100%	300 2
Building C	100%	100%	100%	100%	100%	100%	€ 400,000	€ 300,000	100%	100 3
Building D										0
Building E										0

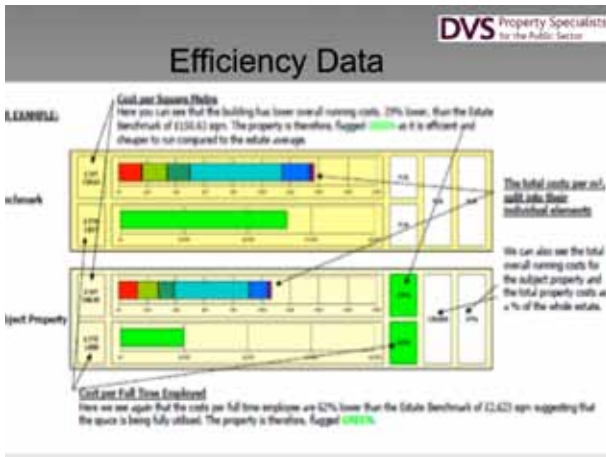
Remember one of the big criticisms of the Operational Efficiency Programme is that property professionals fail to present data to non-property people in a format that is easily understandable.

The DVS Property Health Check

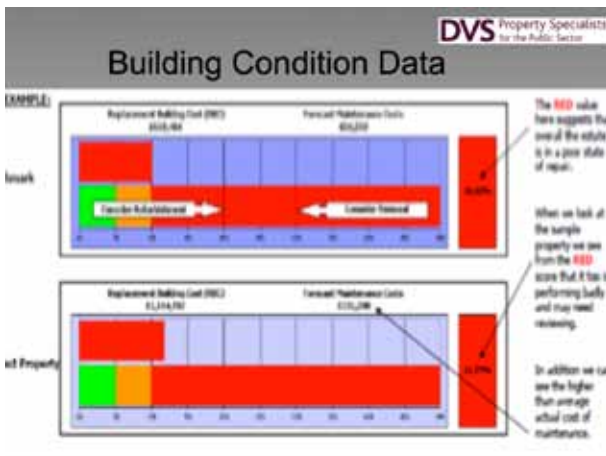
Not every organisation is ready for the detailed efficiency and effectiveness assessment of property so for those in a little bit more of a hurry we also do a Property Health Check, a preliminary tool to produce information that can start to raise the profile of property within the organisation. The health check tries wherever possible to use existing data to develop

- Efficiency indicators
- Condition indicators and
- Economic indicators.

The SPA can be built onto the health check, as the only item missing from a full SPA is a detailed assessment of building effectiveness.

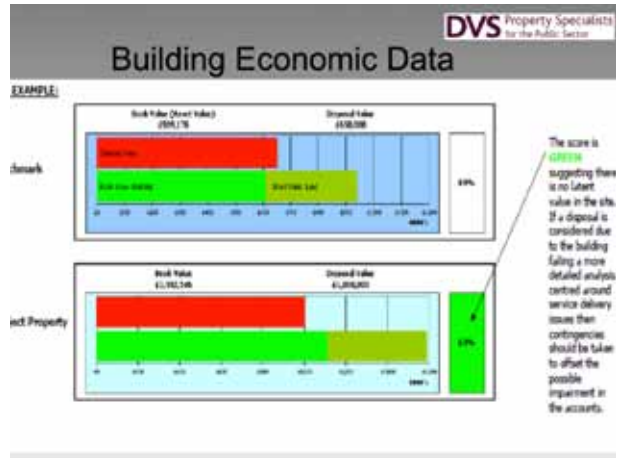


Here we consider building efficiency data a benchmark is set at the top of top of the chart. That could be an average performance across the estate or whatever the organisation feels it wants to work towards. The benchmark looks at such costs as rent, rates, utilities, capital charge etc. These are expressed in terms of cost per square metre and the chart also records how much of the building occupied, numbers of full time equivalent member of staff, staff on shift, etc whatever is needed to arrive at a unit of assessment. Once you have a benchmark the subject property is measured. Care is needed in making decisions. You will get instances where property costs per square metre are a lot cheaper than your benchmark or estate average. That looks good, but if the property is under-occupied the real cost to the business could be a lot more, as the property is not performing cost effectively.



Building condition data has an impact on how property performs. We use backlog and forward maintenance costs to calculate the facility condition index. This will identify properties that are approaching an index where you should start to be thinking about refurbishment and also properties with an index that indicates it is time to start to think about decommissioning or renewing or considering how fit for purpose the building is for delivering services. The example is one used by a health organisation and I suspect that it was selected as it was falling apart. Facility condition indexes were approaching 100%, so if you knocked it down and rebuilt it, it would be cheaper than dealing with the identified backlog

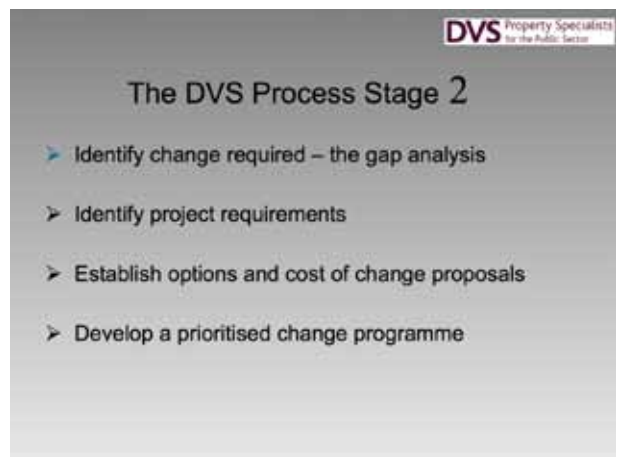
and forward maintenance. This is about trying to get a very early indication of fitness for purpose.



Economic data is mainly about valuation. The green bar is the book value for the property and the red bar at the top is disposal value. In this instance both are heavily impaired. You need to identify issues like this, as it will impact on the decisions that you take.

The whole idea of the health check is to start focus thinking and stimulate thought around property performance. All the data captured for the health check supports the Strategic Property Appraisal (SPA) anyway. So anything you do thereafter is building on to the health check. The health check is ideal for identifying properties that you need to look at in more detail.

The second stage of the process of developing strategies is that once you have analysed the data, and got the results, you can use these to fully integrate property projects into corporate planning and then move onto stage 2.



This produces what is effectively a capital investment.

The third stage is to move on from reactive asset management towards a fully integrated strategic asset management plan and from implementation to annual review. It is best to have a dedicated project team to plan for the annual implementation and review. The team will look at

option appraisals, affordability and achievability issues and develop business cases as appropriate. Also it can review and monitor the strategy and how you are progressing in terms of implementation.

The appointment of dedicated team raises the issue of capability and capacity. This was always a difficult one as often the trend was to add team membership to the day job. Of course, the added difficulties now are that we are in a difficult situation economically and so there is no new recruitment and we have probably lost a lot of staff already, hence capability and capacity are already severely compromised; this is just one more problem for you to address.

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